PUBLIC ADMINISTRATION: - SAUDI ARABIAN BUDGET - BALANCE of PAYMENTS

Public adm. / Budget

COMMENTS WITH REGARD TO ESTIMATED BALANCE OF PAYMENTS OF SAUDI ARABIA

Gold transactions

Data covering movements of monetary gold were obtained from official published sources. No estimates were available as to "black market" operations which might have increased the volume of such transactions.

Silver (riyal) transactions

While SAG purchased riyals in the U.K. during 1949 the riyals ultimately were sold to Aramco. The net result, therefore, was no outlay by SAG.

The net gain on these transactions ($10,016,000) has been included in the balance of payments, but in determining the Saudi Arabian Government's financial position it has been assumed that the riyals cost the government nothing.

SAG transactions

This heading includes transactions with Aramco, Pacific Western Oil Co., the gold mining company, borrowings and debt repayments. They also include an estimate of retained Petchel dollar profits (10%) and the dollar wages paid to Petchel's American labor in Saudi Arabia.

Sovereign payments by Aramco to SAG were converted at the yearly average rate for the Jeddah market of $12.54 per sovereign. On this basis, SAG received $57,431,000 from this source. If the Beirut average rate of $12.63 were used SAG income would be $57,844,000. While the Cairo sovereign rate averaged $16.26 for 1949, we are told that the apparent spread of approximately $3.70 per sovereign would have been much less if the "black market" rate on Egyptian sterling had been used. The lower estimate of SAG income is substantiated by Dick Mawhey's reports on estimates developed within Saudi Arabia.

Receipts from Pacific Western reflect the $9,500,000 original concession payment and the yearly minimum royalty of $1,000,000 (which are paid in dollars).

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TABLE 1

ESTIMATED BALANCE OF PAYMENTS FOR SAUDI ARABIA
(Calendar 1949)
(Expressed in Terms of Dollars at Rate of Exchange in Effect at the Time)

Merchandise Trade (Table 3)		
Imports	-$65,437,000	
Exports		+$ 6,764,000 — (except oil)
Net Merchandise Trade		-$58,673,000
Currency Transactions		
1. Gold transactions (Table 4)		
Purchases	-$ 2,000	
Sales		+$10,300,000
Net Gold Transactions		+$10,298,000
2. Silver transactions (Table 5)		
Net decrease in foreign exchange holdings	-$ 4,459,000	
Net increase in supply		+$14,475,000
Net Silver Transactions		+$10,016,000
3. Other currency (Table 6)		
Receipts from pilgrimage		+$ 4,000,000
4. SAG transactions (in foreign exchange) (Table 7)		
Expenditures	-$14,350,000	
Receipts		+$78,129,000
Net SAG		+$63,779,000
Net Currency Transactions		+$88,093,000
Net Balance of Payments (Currency Transactions less merchandise trade)		+$29,420,000

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TABLE 2

ESTIMATED FINANCIAL POSITION OF SAUDI ARABIAN GOVERNMENT
(Calendar 1949)
(Expressed in Terms of Dollars at Rate of Exchange in Effect at the Time)

Merchandise balance of trade (from Table 3)	-$ 58,673	
Gold (from Table 4)		+$ 10,298
Riyal transactions (a) (except premiums paid by Aramco included under SAG transactions)		-
Other transactions (from Table 6)		+ 4,000
SAG transactions (from Table 7)		+ 63,779
Local expenditures (b)	- 54,500	
Local receipts (b)		+ 16,000
	-$113,173	+$ 94,077
Deficit		- 19,096
	-$113,173	+$113,173

(a) While SAG purchased riyals in the U.K. during 1949 the riyals ultimately were sold to Aramco. The net result, therefore, was no outlay by SAG.

(b) From "Tentative Estimate of Saudi Arab Government Currency Transactions for Hijra Year 1368 (November 2, 1948-October 22, 1949)" which accompanied R. S. Hawley's letter SY-21 of January 8, 1949.

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TABLE 3

SUMMARY OF SAUDI ARABIAN MERCHANDISE TRADE
(Calendar 1949)

Country of Origin	Imports	Exports
1. Aden (based upon 1946 trade)	$ 600,000	$ 150,000(a)
2. Algeria	NA	NA
3. Argentina	NA	NA
4. Australia	NA	NA
5. Austria	NA	NA
6. Bahrein (based upon year ending March 1946)	3,945,000	1,200,000(a)
7. Belgium	2,397,000	NA
8. Canada	2,224,000	-
9. Ceylon	1,839,000	9,000(a)
10. Cuba (8 mos. 1949)	64,000	3,000(a)
11. Cyprus	131,000	
12. Denmark	234,000	
13. Egypt	3,576,000	NA
14. Ethiopia (based upon year Sept.10,'48-Sept.11,'49)	215,000	96,000(a)
15. France	1,871,000	NA
16. Germany	NA	NA
17. India	3,855,000	4,500,000(b)
18. Iran	484,000	-
19. Iraq (based upon 1947 figures)	1,464,000	-
20. Israel	NA	NA
21. Italy	465,000	
22. Japan	-	-
23. Java Sumatra	NA	NA
24. Netherlands	550,000	
25. Norway	70,000	
26. Pakistan	147,000	
27. Portugal	5,000	
28. Spain	13,000	
29. Sudan	446,000	
30. Sweden	2,400,000	-
31. Switzerland	728,000	-
32. Syria Lebanon	2,619,000	
33. Turkey (9 mos. figures 1949-to 12 mos.)	125,000	
34. Union of South Africa	954,000	-
35. United Kingdom	11,726,000	-
36. United States	15,160,000	706,000(a)
Subtotal	$58,307,000	$6,764,000
Adjustment to compensate for A.O.C. orders placed during 1949, deducted above, on which actual shipments were not made during 1949.	1,130,000	
Freight (estimated at 10% of f.o.b. values)	6,000,000	
Total	$65,437,000	$6,764,000
Net Merchandise deficit	-$58,673,000	

(a) Actual
(b) Estimated

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TABLE 4

ESTIMATED INTERNATIONAL GOLD TRANSACTIONS OF SAUDI ARABIA
(Calendar 1949)

(Expressed in terms of dollars at date of exchange in effect at the time)

Gold Transactions		
1. Purchases in		
(a) United States	-$2,000	
2. Sales to		
(a) Egypt (9 mos.)		+$10,276,000
(b) India (9 mos.)		+ 24,000
Total	-$2,000	+$10,300,000
Net Gold Transactions		+$10,298,000

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TABLE 5

ESTIMATED CURRENCY TRANSACTIONS OF SAUDI ARABIA OTHER THAN GOLD
(Calendar 1949)

(Expressed in Terms of Dollars at Rate of Exchange in Effect at the Time)

Silver (Riyal) Transactions			
Increase in riyal supply			
U.K. mintings (20,000,000 riyals)			-$ 5,000,000
Aramco (labor & service payments) (41,465,000 riyals)			+ 10,366,000
Decreases in riyal supply			
Sales to Aramco by merchants (2,865,000 riyals)		-$ 716,000	
Sales to Aramco by TWA (700,000 riyals)		-$ 175,000	
	Total	-$ 891,000	+$15,366,000
Net Increase in supply of riyals			+$14,475,000
Change in Foreign Exchange Holdings resulting from above-transactions			
Increase in holdings of foreign exchange			
Merchants sales to Aramco for $ (2,865,000 riyals)			+$ 716,000
Decrease in holdings of foreign exchange			
Payment for U.K. mintings (20,000,000 riyals)		-$5,000,000	
TWA (assume rehabilitation of $ to U.S.) (on sale of 700,000 riyals)		- 175,000	
	Total	-$5,175,000	+$ 716,000
Net change in foreign exchange holdings		-$4,459,000	
Net effect of riyal transactions			+$10,016,000

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TABLE 6

ESTIMATED OTHER CURRENCY TRANSACTIONS OF SAUDI ARABIA
(Calendar 1949)

(Expressed in Terms of Dollars at Rate of Exchange in Effect at the Time)

Other Currency Transactions	
Receipts from pilgrims	•$4,000,000
Other Currency Transactions (net)	•$4,000,000

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TABLE 7

ESTIMATED FINANCIAL TRANSACTIONS OF SAUDI ARABIAN GOVERNMENT
(Calendar 1949)

(Expressed in Terms of Dollars at Rate of Exchange in Effect at the Time)

SAG Transactions (in foreign exchange)

1. Receipts from:

(a) Aramco	
(i) Royalty - (4,579,858 LT @ $12.54 Jeddah rate)	$57,431,000
" - offshore (paid in dollars)	2,000,000
(ii) Premium on riyals (paid in dollars)	2,073,000
(b) Pacific Western Oil Co. (paid in dollars)	10,500,000
(c) Gold Mining Co. (est.)	125,000
(d) Bank Loan (paid in dollars)	6,000,000
	$78,129,000

2. Purchases/Repayments

(a) Petrobel (est.)		$ 1,976,000	
(b) Repayment on Ex-Im Bank Loan		1,200,000	
(c) Repayment on Bank Loan		2,000,000	
(d) Repayment on RR & Port Projects		4,622,000	
(e) Local SAG and Agency purchases (paid in riyals)			
(i) Petroleum & products	1,600,000		
(ii) Royal Family	386,000		
(iii) Govt. projects	769,000		
(iv) Water wells demurrage	686,000		
(v) Malarial control, med.etc.	108,000		
(vi) Auto equip., parts & services	351,000		
(vii) Operations, hauling services	712,000		
		4,552,000	
Total		$14,350,000	$78,129,000
Net SAG			$63,779,000

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In '49, 53% of imports in $, rest via sterling.

Could further cut $'s by buying wheat, flour, rice & sugar from other than U.S. & Canada. Also could buy U.S. finis goods in Europe, i.e., cars, Goodyear, G.E.

1949 $ imports:

	$
U S	13.8
Japan	6 (?)
Canada	2.4
Italy	3.
Belg.	1.
Other	1.8
	28

1949 £ imports:

	$
UK	9.2
India	6.
Belgium	3.
France	2.2
Czecho.	1.5
Others (Austr., Rum., mid-east etc	3.1
	25
Total	53

1949 45 exports $85 mm. of wh $71 were Aramco.

1949 UK. £3.4 (= $10 mm. @ 2.90)

Excludes coinage, includes $.8 for Aramco.

Sterling trade (millions

	1949	1950	1951
Aden	.6		
Bahrein	3.9	Rs.26 = 5.5	Rs. 16.4 1st half
Cyprus	.1		
Denmark	.2		
Egypt	3.6		
India	3.9		
Iraq	1.5		
Norway	.1		
Pakistan	.1		
Sweden	.5		
Sudan	2.4		
S. Africa	1.		
U K	11.7		
	29.6		
U S	15.2		
Other	13.5		(mainly: Belg., Canada, Syria & Lebanon, Ceylon)
Total	58.3		

	1947	1948	1949	1950
	[in £ '000			]
U.K. Imports from S.A.		5,297	6,835	8,198
U.K. Exports to S.A. (excluding re-exports)		1,626	3,460	2,864
	[1st half of 1951 = ~~1,533,786~~ 1,533,786 £]			
	[	in £E.		]
Egypt: Exports to S.A. (excluding re-exports)	389,000	687,000	272,000 [1st half only] [Estimate for total year – 919,000]	

[1938 total was 144,000 with 36,000 in bullion and specie]